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LOW PRICE TELEPHONE SERVICE

OPTIONS IN THE UNITED STATES

COMMUNICATIONS DIVISION
MINISTRY OF TRANSPORTATION AND COMMUNICATIONS

March 1986



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COMMUNICATIONS DIVISION
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EXECUTIVE SUMMARY

Recent proposals to restructure telephone rates in Canada have raised affordability of telephone service as an issue which is generating considerable public debate. The Government of Ontario is committed to pressing for a policy of universal access to telephone service at affordable rates. As a result, the Ministry of Transportation and Communications has carried out research into some of the methods of ensuring affordable access in other jurisdictions.

This report does not present a policy position, but reviews the many types of "lifeline" and "budget" services offered in the United States as low cost telephone service options.

Local telephone service, at prices below regular rates, is provided by U.S. telephone companies in a number of American states. The number of jurisdictions in which low cost telephone service is available has increased in recent years as local rates have increased. Factors such as the AT&T divestiture and allocation of access costs have triggered state regulators to order telephone companies to provide low cost, local telephone services. These services have been developed to achieve the objective of enabling the economically disadvantaged to retain their telephone service and remain on the network.

This report provides an overview of the nature, availability and general support for low cost local telephone services in the United States. The findings of this review are summarized below:

- Lifeline local telephone services are available in at least four states and Washington, D.C. to qualified low income subscribers. On July 1, 1986 it will be available in Maryland. This number will likely increase in response to the FCC access charge assistance program. States are not required to participate.
- Budget local telephone services are available in at least twenty states to all subscribers without qualification.
- There appears to be no special low cost local telephone service options available to low income subscribers in the balance of the twenty-five states.
- The approaches and rate structures for low cost local telephone services vary in those jurisdictions in which such services are available. Many are based on restricting the number of outgoing calls for the lower flat rate, with per call charges for those in excess of the maximum number.
- The degree of political support at the state and federal levels for the provision of low cost local telephone service is difficult to assess.

- Telephone companies as represented by USTA do not see themselves as "social service agencies". They feel that the costs of lifeline and/or budget programs should be born by government, not by other subscribers. However, others feel that lifeline services represent lower quality service which costs the telephone company less to provide.
- The Consumer Federation of America is in favour of lifeline service. It is in favour of federal legislation to bring this about.
- The U.S. Federal Communication Commission and state regulators have established a joint board to ensure that programs are put in place across the country which assure universal access at affordable rates.

Budget and lifeline telephone service options may have limited applicability to the Canadian situation for a variety of reasons. First, all Canadians still enjoy low cost, flat-rate telephone service right across the country, and there is considerable opposition to significantly altering the rate structure. Second, there would likely be concern in Canada regarding the inequity or the discriminatory stigma attached to qualifying for such a service. Third, these services usually operate on the basis of metering and limiting the number of outgoing calls, and Canadians have demonstrated a lack of willingness to have measured local telephone service.

As the public debate on telephone rates continues, it is hoped that this research paper will contribute to the discussion regarding this form of targetted subsidies versus low priced local service across-the-board.

I. BACKGROUND, STUDY METHOD, OBJECTIVES

BACKGROUND

Recent proposals to restructure telephone rates in Canada have raised affordability of telephone service as an issue which is generating considerable public debate. The Government of Ontario is committed to pressing for a policy of universal access to telephone service at affordable rates. As a result, the Ministry of Transportation and Communications has carried out research into some of the methods of ensuring affordable access in other jurisdictions.

This report does not present a policy position, but reviews the many types of "lifeline" and "budget" services offered in the United States as low cost telephone service options.

Local telephone service, at prices below regular rates, is provided by U.S. telephone companies in a number of American states. The number of jurisdictions in which low cost telephone service is available has increased in recent years due to inflationary pressures on rates. Other factors such as the AT&T divestiture have also triggered state regulators to order telephone companies to provide low cost, local telephone services. These services have been developed to achieve the objective of enabling the economically disadvantaged to retain their telephone service and remain on the network.

OBJECTIVES

As a result of the above developments, U.S. telecommunications publications have made reference to the increasing availability of low cost local service options. These service options have been termed as "lifeline" or "budget" telephone service. The objective of this study was therefore to identify the nature and extent of the availability of low cost local telephone service in the United States.

STUDY METHOD

Information on low cost, local telephone service was initially identified in literature obtained from the United States Telephone Association (USTA). Further data was found in publications by the National Association of Regulatory Utility Commissioners (NARUC). The above information was supplemented with material obtained by means of written inquiries to several U.S. States. The above information confirmed that the two main types of services offered are "Lifeline" and "Budget" services. The following chapters provide more detail on these low cost offerings.

II LIFELINE SERVICES

In 1969, Pacific Bell and General Telephone in California began offering a low cost local telephone service for low income subscribers. At that time it was called "lifeline" service. Both companies provided this service without a legislative requirement. Since then a number of state legislatures and/or regulators have legislated or ordered telephone companies to provide a lifeline service.

DESCRIPTION

Available information indicates that lifeline services are targetted to specific groups. In order to be eligible, a recipient of lifeline service must qualify under social service criteria of the various states. Low income individuals or families are the primary beneficiaries. For the purposes of this report, lifeline telephone service is defined as:

basic telephone service provided to specific (targetted) individuals or groups at rates lower than those paid for regular service by the majority of subscribers in the same service area.

This defintiion is a composite and was developed from information obtained from the various jurisdictions in which lifeline service is available. The availability and criteria for lifeline services are outlined next.

TABLE 1

SUMMARY OF SELECTED LIFELINE PROGRAM CHARACTERISTICS - U.S.

State	Approval Body	Service Provider	Service Requirements	Subscriber Eligibility	Funded by	Subscription Cost	No. Calls Permitted	Cost/Call Over Max	No. of Subscribers
Arkansas	Public Service Commission	S.W. Bell	LMS	Food Stamp Recipients	Other telephone revenues	\$3.70 \$5.50/mo.	20	yes	1,500
California	State Legislature	All Telcos	LMS; flat rate in other areas	Family inc. of \$11,900/yr (US)	Other telephone revenues	LMS-1/2 price (eg. \$1.48) flat rate 1/2 price (eg. \$4.25) both - 50¢ monthly lease allow.	60	yes - LMS regular rate	500,000
District of Columbia (Wash.)	Public Utilities Commission	All Telcos	LMS	65 yrs + income qual.	unknown	\$4.00/mo	60	yes 6.9¢/call	N/A
Maryland (available July 1/86)	State Legislature	Chesapeake & Potomac Tel. Co.	LMS	eligibility for State Human Serv. Programs	unknown	\$4.05/mo + tax + 911 fee	30	yes 9¢/call	65,000 estimated could be served
New York	Public Utilities Commission	All Telcos	N/A	eligibility for State Soc.Assist. Programs	Fed. Gov't/telcos	50¢/mo. lower than regular rates eg \$2.78	N/A	N/A	N/A
Vermont	State Legislature	All Telcos	N/A	Eligibility for Social Welfare	Fed Gov't/telcos (may charge bus/comm. sub-scribers 3¢ more to support programs)	50¢/mo lower than regular	N/A	N/A	N/A (5,000-7,000 eligible)

LIFELINE SERVICE AND ITS AVAILABILITY

In 1985 there were five U.S. jurisdictions in which lifeline service was available. These were

- . Arkansas
- . California
- . District of Columbia
- . New York
- . Vermont.

Effective July 1, 1986, lifeline service will be available in Maryland. The following sections describe the approaches adopted in these jurisdictions concerning lifeline service. Table 1 opposite summarizes the main characteristics of the lifeline services available in each State. More detailed information is provided below for each of these jurisdictions.

Arkansas

The Arkansas Public Service Commission supports the implementation of Lifeline Telephone Service (LTS) as a means of furthering universal service. It has approved a Lifeline Tariff for Southwestern Bell which makes the service available in those exchanges with local measured service (LMS) capability. It is largely funded through general telephone company revenues. Lifeline service is not available in all areas of the state.

Eligibility for LTS is limited to those subscribers certified as food stamp recipients by the Arkansas Department of Human Services. A review of eligibility is conducted annually by Southwestern Bell.

Under the Arkansas plan, the subscriber pays a basic access line rate which includes twenty local calls. This access charge is 33% of the one party residential flat rate. It ranges from \$3.70 in the lowest rate group to \$5.05 in the highest. Each additional call is charged for on the basis of duration, distance, time of day, and day of week at the same level as for regular residential measured service customers. APPENDIX 1 provides more detailed information on Arkansas' lifeline rates.

Both Southwestern Bell and the Department of Human Services report that the incremental costs of providing this service are minimal because existing resources are used to administer it.

As of June 1985 there were about 1500 lifeline subscribers, a level of interest the Commission has described as "moderate".

California

The State of California has had lifeline telephone service since 1969. In that year, both Pacific Bell and General Telephone of California implemented this service. All telephone companies in the state were required under state legislation, the Moore Act¹, to provide lifeline services as of July 1, 1984.

The Moore Act requires that "Universal Lifeline Telephone Service" (UTS) be provided to any telephone customer whose annual household income does not exceed \$11,900 US.² About 500,000 customers now subscribe to this service, including about one half of the state's low-income families.

¹ The Moore Universal Telephone Service Act, 1983, requires that targetted lifeline service be provided by telephone companies operating in California. The Moore Act expires in June, 1988.

² USTA Letter Number 1692, March 11, 1986, Page 18.

In Pacific Bell areas that can be or are served by measured service, UTS customers are allowed 60 untimed³ calls for one half the price of basic measured service. In areas with flat rate service, UTS customers pay one half the price of conventional service. Under both approaches, UTS customers receive an installation allowance; a forbearance on deposit requirements; and a monthly lease allowance of 50¢. A legislation change has also been proposed to permit those UTS customers in measured service areas to convert to flat rate service. APPENDIX 2 provides an example of lifeline rates offered by Pacific Bell under the Moore Act. Other benefits are also noted in APPENDIX 2.

The State Public Utilities Commission estimated that the annual cost of providing lifeline services under the Moore Act was about \$32 Million. This cost was to be offset by revenues obtained from tax on intrastate, interlata long distance tolls. In 1984-85 however the Moore Act tax generated about \$100 Million in revenues. A large portion of Moore Act tax revenue is being kept in reserve for anticipated higher future costs.

District of Columbia (Washington, D.C.)

A January 1986 NARUC Bulletin⁴ indicated that lifeline service is in effect in the District of Columbia. The service is targetted to citizens 65 years of age and older that meet economic qualifications.

³ Ibid USTA, see Page 5

⁴ National Association of Regulatory Utility Commissioners (NARUC) Bulletin #1-1986 (January 6, 1986)

Under this lifeline program, customers can receive local service for \$4.00 per month up to 60 calls, with each additional call costing 6.9¢. This compares well with current flat rates for local service in the District of Columbia. These are \$15.61 (Metropolitan area) and \$9.57 (D.C. area only). Each area includes 50% of D.C. Subscribers.

Maryland

Maryland's Telephone Lifeline Service Act will come into effect on July 1, 1986. Under this legislation, subscribers will be allowed 30 calls per month for a flat fee of one half the lowest local rate (\$4.05 + tax + 911 fees). Additional calls will cost 9¢ each. APPENDIX 3 outlines Maryland's estimates for the anticipated fiscal impact of lifeline service until 1990.

There will be no installation charge for existing subscribers to change to lifeline service. New lifeline customers will pay one half the regular charge. No processing charges will be required for new lifeline customers, and no charges will be made for those disconnecting from lifeline to change to another service.

Eligibility for lifeline service will be determined by the Maryland Department of Human Services. It will be applicable to those low income subscribers now eligible for "general public assistance" or those entitled to supplemental income under federal legislation.

Annual lifeline costs are expected to be approximately \$2.7 million. The Chesapeake and Potomac Telephone Company will receive a credit on the gross receipts tax payable to the state as compensation for this service.

New York

The State of New York, through the impetus of its Public Services Commission, has had lifeline telephone service since June 1985. At that time all New York State telephone companies began offering qualifying subscribers a lifeline rate that was 50¢ lower than their lowest regular residential rate.

Eligibility for lifeline service is based upon New York State requirements for social assistance programs. These include

- . Aid to families with dependent children
- . Food stamps
- . Home relief
- . Medicaid
- . Supplemental Security Income.

Subscribers can self-certify themselves for the lifeline program by completing application forms.

The 1985 lifeline service rate for New York Telephone is determined as follows:

	<u>Per Month</u>
Basic budget Service (lowest res. rate)	\$ 3.28
Less New York Lifeline Reduction	(50)
Basic Certified Service Rate	<u>\$ 2.78</u>
Add FCC End User Access Charge	<u>1.00</u>
	\$ 3.78
Less - FCC assistance equal to New York lifeline reduction	(50)
Net Lifeline Subscriber Rate	<u>\$ 3.28</u>
	=====

On June 1, 1986 the FCC end user access charge will be increased by \$1.00, i.e. to a total of \$2.00. New York's lifeline reduction will then be increased to \$1.00 and the FCC lifeline assistance level will be increased to \$1.00. The net effect, excluding telco rate increases, will therefore be nil.

Low income subscribers benefit from subsidies from New York State and the FCC that offset the FCC access charge. A copy of the model lifeline tariff specified by the New York State Public Service Commission is attached as APPENDIX 4.

New York Telephone and other phone companies in the state, are required by the FCC to track the costs of this relatively new service to determine future revenue requirements. This will aid the State Commission and the companies' future service planning.

Vermont

Vermont has also chosen to take advantage of the FCC's "lifeline assistance" program that reduces by 50% the end user access line charge for low income customers. The FCC program is outlined in Section IV.

In October 1985, the Vermont Public Service Board ordered all telephone companies in the State to provide lifeline service. The Order specified:

- . the State Department of Social Welfare identify eligible subscribers
- . a 50¢ per month reduction in eligible subscriber local rates
- . eligible subscribers are to receive a 50¢ per month reduction in the FCC end user access line charge

each telephone company is permitted to increase its local exchange rates for each residential and commercial access line by 3¢ per month to offset the revenue loss due to lifeline service. A copy of the State of Vermont Public Services Board lifeline Order is attached as APPENDIX 5.

The estimated number of subscribers in Vermont eligible for this program, in the fall of 1985, is between 5000-7000. The 3¢ per month increase in rates for residential and commercial customers is intended to offset the cost of providing lifeline service.

SUMMARY - LIFELINE SERVICE

Lifeline local telephone service is basic service targetted to qualified low income subscribers at rates lower than regular service. It is currently only available in four states and the District of Columbia. As of July 1, 1986, it will be available in Maryland. The types and rate structures vary, however, some form of local measured service (LMS) is utilized in four of these six jurisdictions.

Section II, following, outlines another low cost telephone service, termed budget service.

TABLE 2. SUMMARY OF BUDGET PROGRAM CHARACTERISTICS - U.S.

State	Telco	Service	Price	Approx. No. of Subscribers
Arizona	Mountain Bell	Residence Budget Service	\$6.00/mo + local usage charges	11,000
Delaware	Diamond State	Low Cost Measured	-	-
Georgia	Southern Bell	i) Message	25 calls/flat rate;	i) 1,700
		ii) Low Measured Service Rate	over 25, 12¢/call	ii) 650
Idaho	Pacific NW Bell	Residence Budget Measured Service	\$4.00/mo + 4¢, 1st minute 1 1/2¢, additional minutes	90
Illinois	Illinois Bell	Optional LMS	\$4.50 Chicago; \$6.00 Suburbs & Downstate + per call charges	100,000
	GenTel	Mandatory LMS (19 exchanges)	low monthly charges + per call charges	
Louisiana	South Central Bell	Low Use Measured	45% of basic rate + low usage allow. \$1.00/mo	17,000
		Standard Measured	30% of basic rate + low usage allow. of \$5.00/mo	77,000
		Message Rate Service	45% discount + \$1.00/mo on local	6,700
		Two- or Four-party Service	flat rate	41,000
Maine	New England	Low Use Residence	\$4.81/mo-30 message unit allowance Add. messages 11.4¢ ea	2,000
Massachusetts	New England Tel.	Optional Local Measured Service	\$3.25/mo incl. 30 messages	90,000
Michigan	Michigan Bell	Two-party Measured	\$4.25/mo-44 calls + 6.2¢/call over 44	100,000
	GenTel of Michigan	One-party Measured	\$6.05/mo. \$8.53/mo 30 calls + 10¢ over 30	
Mississippi	South Central Bell	Low Use Measured (in LMS areas)	55% of flat rate with \$1.00/mo call allowance	19,000
Missouri	Southwestern Bell United Tel	Optional Local Measured Service	55% of the one-party flat rate	6% of SW Bell's Customers
New Hampshire	New England Tel.	Low Use Measured	Monthly rate incl. 30 message unit allowance	13% of resid. subscribers
New Jersey	New Jersey Tel.	Optional Low Use Measured	36% of flat rate with 20 message unit allowance, 10¢ over 20	2% of flat rate resid. subscrib.
Oregon	Stayton Co-op Tel. Co.	Budget Measured Service	\$5.78/mo + Time Sens. Usage Charges	7
	Pacific NW Bell	" " "	\$6.90/mo + " " " "	21,000
	United Tel.Co.	" " "	\$3.90/mo + " " " "	370
Rhode Island	New England Telephone	Statewide Optional Local Measured Serv.	\$5.88/mo + charges on length and frequency of calls	unknown
S. Carolina	Southern Bell	Low Use Measured Service	unknown	60% of S. Bell's customers
Tennessee	South Central Bell	Standard Measured Service	70% of flat rate + local usage rate incl. \$7.50 local allow.	63,500
		"Lifeline" Message Service	50% of flat rate + 10¢ outgoing local call	61,500
		Economy Measured Service	40% of flat rate + usage rate for local calls incl. \$1.00 local allow.	19,000
	Tennessee Tel	Optional Local Message Rate Service	50% of local exchange access rate + 14¢/message	unknown
Texas	SW Bell	Low Cost Message Rate	unknown	25,000
	United Tel. & Palo Pinto Tel.	Optional Measured Service	basic flat rate + usage charges	unknown
Virginia	C&P Telephone	Budget Local Exchange Serv.	charge for dial tone + per mes. charge	48,000 (all companies)
	Continental Tel	" " " "	" " " "	
	United Inter-Mountain Tel	" " " "	" " " "	
	Central Tel.	" " " "	monthly dial tone charge + 30 call units (initial 4 min. = 1 unit; add. min's. = 1/4 unit)	
	Standard Tel.	" " " "	- monthly charge - limited calling within exchange outside measured calls	
Washington	Pacific NW Bell	Two-party Measured Service	N/A	11,000
		Budget Local Measured Service	N/A	24,000
		Basic Local Measured Service	N/A	56,000
	United Tel.	Local Measured Service	N/A	unknown
	Pioneer Tel.	Local Measured Service	N/A	unknown

* "Survey on State Lifeline Telephone Service", National Association of Regulatory Utility Commissioners (NARUC), July 1, 1985, pp.4-37.

III BUDGET TELEPHONE SERVICE

An alternative low cost telephone service called budget service is available in a number of U.S. states. This service is described below.

DESCRIPTION

Budget telephone services are low cost local service offerings available to any residential subscriber. Generally, budget service is provided on a measured service basis (LMS). In a few states special low cost flat rate service is termed as budget service. The pricing structure varies from state to state and appears to be a response to local conditions.

Table 2 opposite illustrates the types and prices of available budget services.

AVAILABILITY

By mid-1985, budget local telephone service was available in twenty states⁵ as noted in the table opposite. More detail is provided below on budget services for the following states:

- . Idaho
- . Illinois
- . Louisiana
- . Wisconsin.

⁵ National Association of Regulatory Utility Commissioners (NARUC)
Survey on State Lifeline Telephone Service, July 1985,
pp.38-40.

Idaho

The Idaho Public Utilities Commission has authorized Pacific Northwest Bell to offer a Residence Budget Measured Service to all its customers. It is considered to be an alternative to lifeline service.

The price of budget service is \$4.00/month plus usage charges of 4¢ for the first minute plus 1.5¢ for each additional minute. This can be compared to regular local exchange rates which range from \$8.25 to \$11.25. In 1985, there were 88 customers that subscribed to budget service.

Illinois

The Illinois Commerce Commission has approved optional and mandatory local measured service (LMS) as forms of budget service. In the Chicago area, for example, Illinois Bell offers optional LMS at a monthly charge (city - \$4.50; suburban - \$6.00) plus distance sensitive charges per call unit. Other state carriers have similar programs. In 1985 about 100,000 Illinois subscribers were on LMS billing.

Louisiana

The Louisiana Public Service Commission considers several local telephone service options offered by South Central Bell to be budget services. These options are

- 1.(a) Low-Use Measured Service which provides a 45% discount from the basic local exchange rate with a low-use usage service allowance of \$1.00 per month;
- (b) Standard Measured Service which provides a 30% discount from the basic local exchange rate with a standard service allowance of \$5.00 per month.

2. Message Rate Service which provides for a discount of 45% with a \$1.00 allowance per month for dialed sent paid local calls.
3. Two- or Four-Party Service available on a flat rate basis.

No means tests are attached to any of these services. They are available to subscribers at all income levels. In 1985 the number of subscribers to these budget services were as follows:

-	Two Party Residence	20,599
-	Four Party Residence	20,149
-	Message	6,700
-	Measured Low Usage	17,012
-	Measured Standard Usage	77,108

There has been a relatively low demand for these options. Less than 10% of residential subscribers take any of these services.

Wisconsin

Wisconsin has a low cost service option. As authorized by the State Public Service Commission, customers of the Wisconsin Telephone Company have been able to subscribe to Zero Allowance Service (ZAS) since January 1, 1984. ZAS has no eligibility requirement.

Under the Zero Allowance Service (ZAS) option, the subscriber receives basic telephone access for \$3.50 per month but is not entitled to any free outgoing calls. The charge for each outgoing call is 24¢. In its first year ZAS had 14,200 customers.

Although there is no lifeline service per se, low income customers are encouraged to take advantage of ZAS through a waiver of the change of service charge. All recipients of Low Income Energy Assistance and/or residents of subsidized housing, of whom there were 90,400 in 1984, were eligible. These people were notified through the mail; and 2,600 subscribed to the service. The cost of the mailing was approximately \$20,000 but the other costs of administering the waiver have not been identified.

SUMMARY OF BUDGET SERVICE

Budget telephone services are low cost local service offerings available to any residential subscriber. These services are not targetted to any specific group of subscribers. By mid-1985, they were available in twenty states.

Typically, budget service is provided on a local measured service (LMS) basis but LMS is not a requirement. The pricing structure for budget service varies from state to state and appears to be a response to local circumstances.

Section IV, following, outlines the positions taken on low cost local telephone services by a number of the stakeholders.

IV POSITIONS OF THE STAKEHOLDERS

Several major stakeholder groups have been identified as having an interest in low cost telephone service for the economically disadvantaged. These stakeholder groups are

- State governments/regulators
- Federal Communications Commission
Federal-State Joint Board
- Federal Legislators
- United States Telephone Association
- Consumer Federation of America

The views of the above groups are outlined below.

STATE GOVERNMENTS/REGULATORS

In 1985 low cost local telephone service was available in approximately one-half of the U.S. states. Targetted lifeline service was available in four states and Washington, D.C. for qualified low income subscribers. Lifeline will be available in Maryland on July 1, 1986. In twenty other states low cost budget local telephone service was available to any subscriber without qualification. No special low cost telephone service was identified in the balance of the twenty five states.

Some states have taken the position that low cost local telephone service should be legislated. In other states the regulator has the authority to approve and/or order the availability of low cost (budget) local telephone service.

A review of the available literature indicates that there is little uniformity in approach on rate structures in the provision of low cost local telephone services. Local circumstances appear to determine the approach, rate structure and availability of such services.

FEDERAL COMMUNICATIONS COMMISSION AND
FEDERAL-STATE JOINT BOARD

In October 1985, the Federal-State Joint Board⁷ adopted recommendations for federal assistance to states implementing lifeline programs. The Federal Communications Commission (FCC) adopted the Joint Board's recommendation on December 10, 1985. At that time, a \$1.00 federal monthly fee for access to the telephone system was imposed on all subscribers. This will be raised to two dollars in June 1986.

Under the plan recommended by the Joint Board, the FCC would match state assistance for low income households under qualifying programs. This assistance would be up to the amount of the federal access line charge. The federal contribution would be recovered through the federal carrier common line charge. As of June 1, 1985, the maximum available assistance was \$1.00. On June 1, 1986 the maximum assistance will increase to \$2.00.

The FCC requires states that implement the FCC's lifeline program to monitor and report annually on its effectiveness. The federal program is to be evaluated at the end of 1986.

⁷ Federal-State Joint Board is comprised of members of the Federal Communications Commission (FCC) and state regulatory officials. It can make recommendations to the FCC for action in telecommunications matters.

FEDERAL LEGISLATORS

Lifeline telephone service legislation has been proposed in both the U.S. House of Representatives (HR 151) and the U.S. Senate (Bill 950). Congressman Leland, author of the Lifeline Services Act of 1985, H.R. 151,⁸ has said that, "mere waiver of the access line charge does not constitute a lifeline program". Nonetheless, the States of New York and Vermont have taken advantage of this program (see: Sect. II). The Senate Bill proposed by Senators J. Heinz and J. Chaffee parallels the legislation put forward in the House by Congressman Leland. This legislation would require that targetted lifeline programs be established in all states.

Leland's, HR 151 would require state regulatory commissions to develop targetted lifeline programs for low income residential customers. All participating local telephone companies would be eligible for payments from a lifeline service fund to defray the costs of the service. The fund would be established from a small surcharge on intrastate long distance service.⁹ The Act has yet to be passed into law.

The degree of support for either the House of Representatives or Senate bills is unknown at this time.

UNITED STATES TELEPHONE ASSOCIATION (USTA)

The United States Telephone Association (USTA) is an association of most of the telephone companies in the U.S. Its positions generally represent the industry's view on a wide range of issues.

⁸ Congressman M. Leland (D-Texas), author of the "Lifeline Services Act of 1985" (H.R. 151) that would require state lifeline programs.

⁹ Source NARUC Bulletin No. 42-1985, October 21, 1985

USTA supports the concept of a lifeline telephone rate to help low income households afford local phone service, provided this rate is developed and administered at the state level. USTA feels that state agencies are best suited to the issue, and that pricing policies and service should be tailored to meet local needs.

USTA's view is that funding for lifeline services should come from general tax revenues, not from rates paid by other phone customers. USTA says that "lifeline" is a social concern, and telephone companies are not social institutions. USTA believes that variations in geographic and demographic factors across the U.S. affect the availability of affordable telephone service. These variations among states make it difficult, if not impossible, to implement a federal assistance plan.

CONSUMER FEDERATION OF AMERICA (CFA)

The Consumer Federation of America (CFA) is a consumers' lobby group based in Washington, D.C. It speaks out on telecommunications consumers issues.

In "Ringling Off the Wall" (May 1985) the CFA briefly discussed lifeline within the context of "An Alarming Increase in Residential Phone Rates 1984-86". The CFA stated:

"post-divestiture (AT&T) rate increases may force over 6 million people to do without telephone service ... (an) unacceptable erosion of the goal of universal telephone service. ... Most of those who will be forced to do without phone service are ... public assistance recipients, the elderly and the infirm ..." (p.6)

The extent to which this view is correct remains uncertain.

In the Federation's view, however, before low income people are effectively priced out of telephone service, the U.S. federal government should mandate lifeline telephone service. It should be a simple, cheap local option targetted to those least able to afford phone service. It should be partially subsidized by long distance users to, "make sure that they pay their fair share to preserve universal phone service", (p.6). According to CFA, Congressional Bill HR 151, (the Lifeline Service Act of 1985), meets these criteria.

V SUMMARY AND CONCLUSIONS

This report provides an overview of the nature, availability and general support for low cost local telephone services in the United States. The findings of this review are summarized below:

- Lifeline local telephone services are available in at least four states and Washington, D.C. to qualified low income subscribers. On July 1, 1986 it will be available in Maryland. This number will likely increase in response to the FCC access charge assistance program. States are not required to participate.
- Budget local telephone services are available in at least twenty states to all subscribers without qualification.
- There appears to be no special low cost local telephone service options available to low income subscribers in the balance of the twenty-five states.
- The approaches and rate structures for low cost local telephone services vary in those jurisdictions in which such services are available. Many are based on restricting the number of outgoing calls for the lower flat rate, with per call charges for those in excess of the maximum number.
- The degree of political support at the state and federal levels for the provision of low cost local telephone service is difficult to assess.

- Telephone companies as represented by USTA do not see themselves as "social service agencies". They feel that the costs of lifeline and/or budget programs should be born by government, not by other subscribers. However, others feel that lifeline services represent lower quality service which costs the telephone company less to provide.
- The Consumer Federation of America is in favour of lifeline service. It is in favour of federal legislation to bring this about.
- The U.S. Federal Communication Commission and state regulators have established a joint board to ensure that programs are put in place across the country which assure universal access at affordable rates.

Budget and lifeline telephone service options may have limited applicability to the Canadian situation for a variety of reasons. First, all Canadians still enjoy low cost, flat-rate telephone service right across the country, and there is considerable opposition to significantly altering the rate structure. Second, there would likely be concern in Canada regarding the inequity or the discriminatory stigma attached to qualifying for such a service. Third, these services usually operate on the basis of metering and limiting the number of outgoing calls, and Canadians have demonstrated a lack of willingness to have measured local telephone service.

As the public debate on telephone rates continues, it is hoped that this research paper will contribute to the discussion regarding this form of targetted subsidies versus low priced local service across-the-board.

APPENDICES

APPENDIX 1 - STATE OF ARKANSAS - LOCAL EXCHANGE TARIFF
(LIFELINE AND STANDARD)

APPENDIX 2 - STATE OF CALIFORNIA - PACIFIC BELL UNIVERSAL
LIFELINE TELEPHONE SERVICE - BROCHURE

APPENDIX 3 - STATE OF MARYLAND - FISCAL NOTE STATE FISCAL
IMPACT STATEMENT - TELEPHONE LIFELINE SERVICE

APPENDIX 4 - STATE OF NEW YORK - MODEL LIFELINE TARIFF

APPENDIX 5 - STATE OF VERMONT - PUBLIC SERVICES BOARD LIFELINE
TELEPHONE SERVICES ORDER

APPENDIX 1

STATE OF ARKANSAS - LOCAL EXCHANGE TARIFF
(LIFELINE AND STANDARD)

No supplement to this tariff will be issued except for the purpose of cancelling this tariff.

LOCAL EXCHANGE TARIFF
2nd Revised Sheet 35

FILED

MAY - 6 1985

LOCAL EXCHANGE TARIFF

1.8 MEASURED SERVICE (Lifeline(1) and Standard)

ARKANSAS PUBLIC SERVICE
COMMISSION

1.8.1 Application of Tariff

CORINNE KING

Measured Service consists of a charge for the exchange access line as contained in 1.2 of this tariff and usage charges in 1.8.3 following.

1.8.2 General Regulations

- A. This service is offered to customers on an individual line (1-party) basis where facilities permit.
- B. Usage charges in 1.8.3 A following apply to all Dial Station-To-Station calls except those that are placed to the Telephone Company, i.e., directory assistance, repair service, business office, and the authorized local emergency number 911 (if applicable). Mileage will be calculated using V and H coordinates of serving offices in the same manner as long distance mileage.
- C. Service Connection Charges apply to Measured Service as provided in 1.8.3.J following and Section 29 of the General Exchange Tariff.

Arkansas Public Service Commission
APPROVED

1.8.3 Rates

MAY 7 '85 DOCKET 84-165-U

A. Usage Charges

<u>Distance in Miles</u>	<u>Initial Minute Rate</u>	<u>Each Additional Minute Rate</u>
0 - 7	4¢	1¢
8 - 14	5¢	2¢
15 - 21	6¢	3¢
22 & over	7¢	4¢

For Lifeline Measured Residence service the first 20 direct dial local messages are included as part of the basic access line rate.

(1) Trial offering for residence customers only.

Issued:

Effective:

By Paul F. Roth, President - Arkansas Division
Southwestern Bell Telephone Company
Little Rock, Arkansas

No supplement to this tariff will be issued except for the purpose of cancelling this tariff.

LOCAL EXCHANGE TARIFF
2nd Revised Sheet 36

D

LOCAL EXCHANGE TARIFF

MAY - 6 1985

1.8 MEASURED SERVICE (Lifeline(1) and Standard) - (Continued) ARKANSAS PUBLIC SERVICE COMMISSION

1.8.3 Rates - (Continued)

CORINNE KING
Secretary of Commission

B. Discount percentages and periods are as follows:

The following percentages will apply to local calls made during the discount periods:

	Mon.	Tues.	Wed.	Thur.	Fri.	Sat.	Sun.
9:00 AM	Day Rate Period Full Rate						
9:00 PM							
9:00 PM	Night Rate & Weekend Rate Period 75% Discount						
9:00 AM							

On Christmas Day (December 25) and on New Year's Day (January 1), Independence Day (July 4), Thanksgiving Day and Labor Day the holiday rate applicable is the night rate. Discounts do not apply to operator handled service charges as specified following.

(CT)

- C. For all messages other than Dial Station-To-Station, the appropriate Dial Credit Card Station-To-Station, Operator Station-To-Station or Person-To-Person Service Charge as specified in 2.0 of this tariff applies. This charge is in addition to the usage charges as specified in A. preceding.
- D. The methods of applying usage are the same as specified in 2.4 of this tariff. Long Distance Message Telecommunications Service. **APPROVED**
- E. Usage billing will be on a summary basis. MAY 7 '85 DOCKET 84-165-U
- F. This service is offered subject to the condition that no other type of exchange service is provided on the same premises for the same customer. A Lifeline Measured Residence customer may subscribe to only one Lifeline Measured Residence access line.

(AT) (1) Trial offering for residence customers only.

Issued:

Effective:

By Paul F. Roth, President - Arkansas Division
Southwestern Bell Telephone Company
Little Rock, Arkansas

No supplement to this tariff will be issued except for the purpose of cancelling this tariff.

LOCAL EXCHANGE TARIFF
2nd Revised Sheet 37
F I L E D

LOCAL EXCHANGE TARIFF

MAY - 6 1985

1.8 MEASURED SERVICE (LIFELINE (1) AND STANDARD) - (Continued)

ARKANSAS PUBLIC SERVICE
COMMISSION

1.8.3 Rates - (Continued)

CORINNE KING

G. Discounted Rates Applicable to Messages Placed by Certified Hearing and/or Speech Disabled Residence Customers

Disabled persons who have been certified to the Telephone Company as having a hearing or speech impairment which necessitates that they communicate via a telecommunications device (e.g., teletypewriter or similar keyboard communications equipment) will receive, upon written application to the Telephone Company, a reduction on measured service dial station-to-station calls placed from the premises of the certified residence account where the telecommunication device is located.

On all directly dialed calls, a 50 percent discount will apply to usage charges. This discount is in addition to the rate discounts and application periods shown in paragraph 1.8.3.B.

Certification of the hearing and/or speech disability requires the completion of an application form certified by a physician, otolaryngologist, audiologist, licensed speech-language pathologist or an authorized agency representing hearing and speech disabled individuals.

H. Lifeline Residence Measured Service is available only to Food Stamp recipients as certified by the Arkansas Department of Human Services. A directory listing (if desired) and billing for Lifeline Residence Measured Service will only be provided in the name of and at the address of the certified Food Stamp recipient.

I. Lifeline Residence Measured Service customers will be certified on an annual basis by the Arkansas Department of Human Services as to their continued eligibility for this service.

(AT) J. Apply 50% of the Service and Equipment Charge to orders changing to residence measured service from another type of residence exchange service or vice versa. This also applies to changes between classes of residence measured service.

Arkansas Public Service Commission
APPROVED
MAY 7 '85 DOCKET 84 - 165 - U

(1) Trial offering for residence customers only

Issued:

Effective:

By Paul F. Roth, President - Arkansas Division
Southwestern Bell Telephone Company
Little Rock, Arkansas

APPENDIX 2

STATE OF CALIFORNIA - PACIFIC BELL UNIVERSAL
LIFELINE TELEPHONE SERVICE - BROCHURE

If you find that Universal Lifeline doesn't save you as much as you'd hoped, ask your Service Representative for advice on how to keep your phone bill as low as possible.

How can you continue your Universal Lifeline Telephone Service?

Every year, Pacific Bell will mail you a Certification Form. To stay on Universal Lifeline, you must fill out the form — certifying that you still meet the requirements — and return it within 30 days. Otherwise, your phone service will automatically be switched, free of charge, from Universal Lifeline to the *regular* rate available in your area.

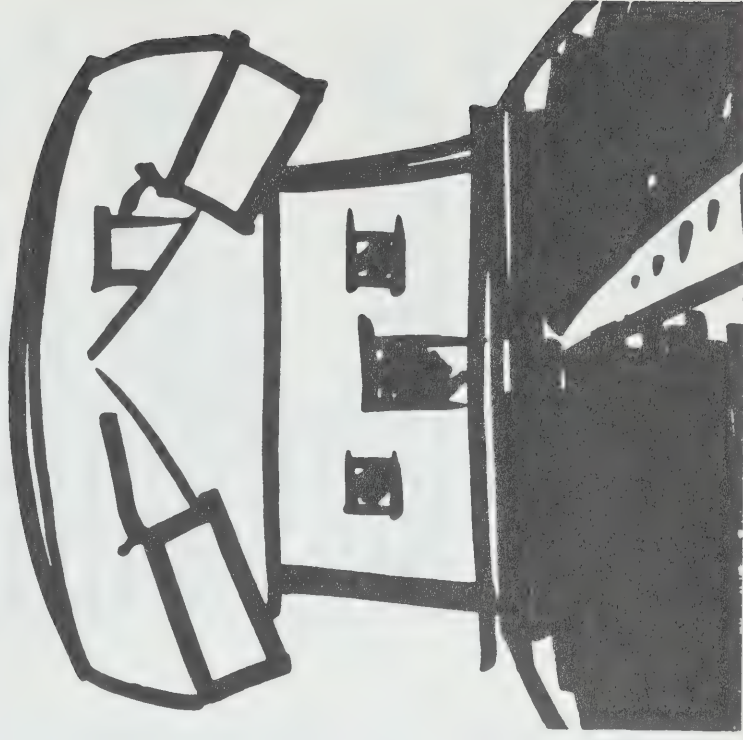
How can you switch from Universal Lifeline to regular service?

If you no longer meet the requirements for Universal Lifeline, or Universal Lifeline no longer meets your needs, please call your Service Representative at the Pacific Bell Business Office nearest you, and ask to have your service changed. For the number, check the first page of your phone bill where it says, "When moving or placing an order call..." There's no charge for switching from Universal Lifeline to regular residence service.

We're still here to help.

Reliable, efficient communication is Pacific Bell's business. We are committed to bringing the world's best phone service to your home, at the lowest possible cost. If you have questions about anything mentioned in this brochure, just call your Service Representative at the Pacific Bell Business Office nearest you or mail the attached card to us. We'll call you back within approximately 10 working days.

*Universal Lifeline
Telephone Service:
Every Californian
Can Have a Phone*



What does Universal Lifeline telephone Service cost per month?

Basically, it costs half the regular rate available in your area.

In most areas of California served by Pacific Bell, Universal Lifeline is a measured service, which gives you 30 outgoing local calls—of any length—at a cost of approximately \$1.48 a month. Additional local calls are billed separately—10¢ each for calls 31-40, and 15¢ each for calls over 40.

In the rest of the areas served by Pacific Bell, Universal Lifeline is a flat rate service, which means you can make an unlimited number of outgoing local calls at a monthly cost of approximately \$3.38.

These rates include a 75¢-a-month credit towards the cost of leasing or buying a phone. Long distance calls are billed separately, at regular rates.

Your Service Representative can tell you which Lifeline Telephone service is available in your area. If you are served by another local telephone company, rates may differ.

Will Universal Lifeline Telephone Service save you money?

Yes, in areas where only flat rate service is available. In areas where measured service is available, it depends on your calling habits. For example, your local phone bill depends on:

- how many calls you make
- how far away you call
- when you call
- how long you talk

This chart may help you decide whether Universal Lifeline will save you money in those areas where measured service is available.

Number of local calls you make each month:*	Service you should select:
Less than 71	Universal Lifeline
Between 71 and 85	Standard Measured
More than 85	Premium Flat Rate

*Based on weekday five-minute local calls.

instead of the regular \$34.50, to have your phone hooked up. (If you like, you can pay the \$17.25 in three installments.)

Optional services—like Touch-Tone, Call Waiting, or an Unlisted Number—may be added to basic Universal Lifeline Service at the regular cost.

Who can get Universal Lifeline Telephone Service?

You are eligible for Universal Lifeline Service if you meet the following requirements:

- Your total household gross income is not more than \$11,500 per year.
 - You have only one phone number at your home, and you receive Universal Lifeline Service only at your main place of residence.
 - You are not claimed as a dependent on another person's income tax return.
- (These requirements were established by the California Public Utilities Commission.)

How can you get Universal Lifeline Telephone Service?

If you meet the requirements listed above, either call your Pacific Bell Business Office (the number appears on your bill and in the front of the directory) or fill out the information request card on the last panel of this brochure. It's pre-stamped, so you can just drop it in the mail. If you're concerned about your privacy, you can put the card in your own envelope (don't forget the stamp) and mail it to the address printed on the front of the card.

Within about 10 working days after you mail the information request card, a special Universal Lifeline representative will call you to answer any questions you may have. If you're interested, the representative will also fill out a Certification Form over the phone and mail it to you to sign. You must return the form within 30 days.

If you are already a Pacific Bell customer, we'll change your service to Universal Lifeline when we receive your signed form and you'll pay half the cost of a regular service change (\$7.50 instead of \$15.00).

In September 1983, Governor Deukmejian signed into law the "Moore Universal Telephone Service Act" authored by Assemblymember Gwen Moore. The new law says, "Communication by telephone is a basic human need in modern society, and must be made available to all Californians at a reasonable cost for basic minimum use."

In response to this law, Pacific Bell is pleased to offer Universal Lifeline discount telephone service—so that every Californian can have a phone.

What is Universal Lifeline Telephone Service?

Universal Lifeline is a discount phone service—more than 50% off—for eligible Californians. (Check page 2 to see if you're eligible.)

What do you get with Universal Lifeline Telephone Service?

1. Phone service at only half the regular monthly rate available in your area.
2. Unlimited incoming calls.
3. Thirty outgoing local calls a month (each additional local call is billed separately), or unlimited outgoing local calls, depending upon where you live in California. (For details, see page 3.)
4. A 75¢-a-month credit on the cost of leasing or buying a phone.
5. No deposit for new service, if you don't have any unpaid telephone bills.
6. 50% off the cost of a regular service change. If you are already a Pacific Bell customer, it will cost you only \$7.50, instead of the regular \$15.00, to have your service changed to Universal Lifeline.
7. 50% off the cost of installing phone service once a year, including one modular jack, if needed. If you are a new Pacific Bell customer, or you move to a new address, you will pay \$17.25,

APPENDIX 3

STATE OF MARYLAND - FISCAL NOTE STATE FISCAL
IMPACT STATEMENT - TELEPHONE LIFELINE SERVICE

DEPARTMENT OF FISCAL SERVICES

Maryland General Assembly
Legislative Services Building
Annapolis, Maryland 21401

FISCAL NOTE
RE-REVISED

Telephone:
(301) 841-3710
(301) 858-3710

REPLACES FISCAL NOTE DATED MARCH 11, 1985

House Bill 1020 (The Speaker)

HB 1020

Constitutional and Administrative Law and Ways and Means

Referred to
Budget and Taxation

SUMMARY OF LEGISLATION: This legislation, as amended, provides that a person receiving General Public Assistance (GPA) or Supplement Security Income (SSI) may subscribe to "telephone lifeline service" (basic service plus 30 calls per month) and pay only 50% of the costs.

The other 50% of the costs of the phone service shall be a deduct from the gross receipts tax of any telephone company with more than 10,000 subscribers, and that provides such "telephone lifeline service".

The legislation takes effect July 1, 1986, and the Public Service Commission is to report to the 1988 General Assembly on the results of telephone lifeline service.

STATE FISCAL IMPACT STATEMENT: This bill would decrease State revenues from the Gross Receipts Tax by \$676,000 in FY 86. State expenditures would not be affected.

LOCAL FISCAL IMPACT STATEMENT: This bill would have no affect on local government finances in FY 86 as it does not take effect until FY 87.

STATE REVENUES: The C & P Telephone Company and the Department of Human Resources estimate this bill would affect 30% of the 20,000 persons receiving General Public Assistance (GPA) and 75% of the 45,000 persons receiving Supplemental Security Income (SSI), or a total of 39,750 persons.

Telephone service costs consist of: (1) installation charges; (2) monthly service charges; and (3) a soon to be implemented long lines access charge.

It is estimated 25% of the 39,750 eligible recipients will be new installations. Installation charges are \$37 for the service call and \$22.50 for time and materials, or a total of \$59.50. Therefore, total FY 87 costs would be \$591,311 ($9,938 \times \59.50) of which \$295,655 would be a deduction from the State's gross receipts taxes in the first year. It, also, can be estimated that 10% of such initial installation costs will be continued into each future year. Persons transferring telephone service to or from "telephone lifeline service" shall not be charged installation charges.

Monthly service charges for the basic telephone service consist of \$5.40 for access and \$2.70 for the 30 calls, or \$8.10 per month. Total monthly service charges would be \$3,863,700 annually ($\$8.10 \times 12 \times 39,750$), of which \$1,931,850 would be a deduct from the State's gross receipts tax. It can be anticipated such rates will increase 10% annually.

Recently the Federal government has determined there shall be a \$2/month long lines access charge. The C & P Telephone Company intends to pass on this charge, \$1 to long lines companies and \$1 to the State for telephone lifeline service subscribers. The annual deduct from the State's gross receipts tax for this charge would be \$477,000 ($\$1 \times 12 \times 39,750$).

While the provisions of the bill are not effective until FY 87, public utility companies pay an estimated half of their Gross Receipts Tax for a calendar year on June 1 (in the preceding fiscal year). Therefore, FY 86 Gross Receipts Taxes would decrease by \$676,125. Future year decreases in the Gross Receipts Taxes would be as follows:

	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
Gross Receipts deduct for:					
Installation	\$73,913	\$229,872	\$33,332	\$36,665	\$40,334
Monthly Service Charge	482,962	1,980,150	2,178,175	2,395,988	2,635,582
Long Lines Access	119,250	477,000	477,000	477,000	477,000
Total Deduction	\$676,125	\$2,687,022	\$2,688,507	\$2,909,653	\$3,152,916

STATE EXPENDITURES: It is not anticipated there would be any further administrative expenses for DHR to verify eligibility of subscribers to phone companies.

LOCAL REVENUES: Anne Arundel, Baltimore, and Montgomery counties, along with Baltimore City have a telephone service sales tax that is collected on billings by the telephone company. The provisions of this legislation provide subscribers will not be billed for the 50% portion to be deducted from the State's gross receipts tax. Therefore, the 4 jurisdictions will have a revenue loss as determined in Exhibit A. The revenue loss for the 4 jurisdictions, beginning in FY 87, will be as follows, and can be anticipated to increase by 10% in each subsequent year.

	<u>FY 87</u> <u>Revenue Loss</u>
Anne Arundel County	\$5,540
Baltimore City	\$177,200
Baltimore County	\$8,080
Montgomery County	\$5,600

LOCAL EXPENDITURES: The local governments will not be involved in administrative procedures. Therefore, their expenditures will not be affected.

<u>Fiscal Impact Summary</u>	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
<u>Net Increase/(Decrease)</u>					
in State Revenues	(\$676,000)	(\$2,687,000)	(\$2,688,000)	(\$2,910,000)	(\$3,153,000)
<u>Net Increase/(Decrease)</u>					
in State Expenditures	0	0	0	0	0
<u>Net Increase/(Decrease)</u>					
in State Funds	(\$676,000)	(\$2,687,000)	(\$2,688,000)	(\$2,910,000)	(\$3,153,000)

INFORMATION SOURCE: C&P, Department of Human Resources

ESTIMATE BY: DFS

Per: E. M. Thomas
jml
March 25, 1985

Joseph M. Coble, Director
Division of Fiscal Research

Exhibit A - Attached

DETERMINATION OF LOCAL GOVERNMENT
 REVENUE LOSS IN FY 86
 DUE TO
 TELEPHONE LIFELINE SERVICES LEGISLATION

	Anne Arundel County	Baltimore City	Baltimore County	Montgomery County
Eligible subscribers % in Jurisdiction	39,750 <u>X 3.5</u>	39,750 <u>X 69.5</u>	39,750 <u>X 4.75</u>	39,750 <u>X 4.0</u>
Applicable subscribers Months	1,390 <u>X 12</u>	27,625 <u>X 12</u>	1,890 <u>X 12</u>	1,590 <u>X 12</u>
Total monthly billings (3X4) Station tax rate	16,680	331,500	22,680	19,080 <u>X 48¢</u>
1 Station taxes (5X6)				\$9,158
1 Billing/month	<u>\$8.10</u>	<u>\$8.10</u>	<u>\$8.10</u>	
1 Total sales (5X8)	\$135,108	\$2,685,150	\$183,708	
2) Monthly calls				X30
1) Total calls (5X10)				572,400
2) Call tax rate				<u>.0036</u>
3) Call taxes (11X12)				2,060
4) Sales tax rate	<u>.08</u>	<u>.12</u>	<u>.08</u>	
5) Total taxes (9X14)	\$10,080	\$322,218	\$14,696	\$11,218(7+13)
6) % Taxes not billed	<u>.50</u>	<u>.50</u>	<u>.50</u>	<u>.50</u>
7) Revenue loss (15X16)	\$5,040	\$161,109	\$7,348	\$5,609

prepared by: Department of Fiscal Services, March 1985.

APPENDIX 4

STATE OF NEW YORK - MODEL LIFELINE TARIFF

[Name of Company]

P.S.C. No. ____ - Telephone

Lifeline Telephone Service

1. Lifeline telephone service consists of a 50 cent reduction in the monthly rate for residential telephone service for the period June 1, 1985 through May 31, 1986 and a \$1.00 rate reduction starting June 1, 1986 unless otherwise modified by the Commission. Qualified customers may choose any type or grade of local telephone service which is normally offered by the company.

2. This service is restricted to low income residential subscribers. To qualify for lifeline service a subscriber must be a recipient of benefits from at least one of the following Entitlement Programs administered by the New York State Department of Social Services:

Aid to Families with Dependent Children (ADC)

Food Stamps

Home Relief

Medicaid

Supplement Security Income (SSI)

3. Applicants must provide proof to the telephone company that they are receiving one or more of the above benefits. Such proof may consist of an up-to-date identification card issued by Department of Social Services or a form letter issued by the telephone company and signed by an authorized representative of Social Services.

Lifeline rate treatment will not begin until proof of eligibility is provided to the company.

4. The subscriber is responsible for notifying the company when Entitlement Program eligibility is lost.

5. Lifeline customers will be required to renew proof of their eligibility status semi-annually.

Issued: May 17, 1985

Effective: June 1, 1985

Issued in compliance with order of the Public Service Commission dated May __, 1985 in Case 29021

Failure by a subscriber to comply with the company's periodic requests for proof of continued eligibility will result in loss of lifeline rate treatment.

[OR]

The company will make periodic verification of the subscriber's eligibility status with the New York State Department of Social Services. If, after verification, a subscriber is identified as being ineligible, the subscriber will be notified that, unless the information is shown to be in error, lifeline rate treatment will be discontinued and the customer will be billed for discounts received while ineligible for the service.

Issued: May 17, 1985

Effective: June 1, 1985

Issued in compliance with order of the Public Service Commission dated May __, 1985 in Case 29021

APPENDIX 5

STATE OF VERMONT - PUBLIC SERVICES BOARD
LIFELINE TELEPHONE SERVICES ORDER

ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont, pursuant to 30 V.S.A. §§218(c) and 227(b), that:

1. The Findings and Conclusions of the Hearing Examiner are adopted and affirmed.
2. All companies certified to offer local exchange telephone services within the state shall implement a lifeline program consistent with the FCC's Order of December 19, 1984, (FCC Dockets Nos. 78-72 and 80-286) and the elements outlined below.
3. All telephone companies are to file compliance tariffs between October 4 and October 10, 1985, with rates to be effective on a bills-rendered basis for services offered beginning with the first billing period after the filed date.
4. Such compliance tariffs shall provide that customers identified as eligible by the Department of Social Welfare shall have their FCC imposed "end-user access line charge" reduced by 50¢ per month and shall have their monthly residential local exchange rate lowered by an additional 50¢ per month.
5. Compliance tariffs for each company may increase local exchange rates for each residential and commercial access line by 3¢ per month. Such rates shall be effective at the same time as the reductions noted in paragraph 4.

6. The issues examined in this docket may be reconsidered at the motion of any party in May of 1986 in a proceeding to consider the implications of the alterations in the FCC imposed "end-user access line charges" which are now expected to take effect in June of 1986. Any such proceeding may also consider the accuracy of the implementation-cost estimates relied upon by the hearing examiner at this time.

DATED at Montpelier, Vermont, this 2nd day of
October, 1985.

s/V. Louise McCarren)

s/Rosalyn L. Hunneman)

s/William E. Markcrow)

PUBLIC SERVICE
BOARD
OF VERMONT

OFFICE OF THE CLERK

FILED: October 2, 1985

ATTEST: s/Susan M. Hudson
Clerk of the Board

